

## Message Text

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USIA-15 ACDA-19 IO-14 SAJ-01 NIC-01 EB-11 AID-20

TRSE-00 OMB-01 FRB-02 COME-00 DRC-01 /173 W

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 8350

INFO AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY BELGRADE

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

USMISSION BERLIN

USMISSION NATO BRUSSELS

USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 03 BONN 15575

E.O. 11652: GDS

TAGS: PFOR, EFIN, GW, PL

SUBJECT: FRG-POLISH RELATIONS: THE SCHEEL VISIT

REF: (A) BONN 14705 (NOTAL), (B) WARSAW 5546 (NOTAL)

SUMMARY: FOREIGN MINISTER SCHEEL'S OCTOBER 18 TO 20  
VISIT TO WARSAW FAILED TO PRODUCE FULL AGREEMENT ON  
EITHER OF THE MAJOR ISSUES UNDER NEGOTIATION: A GERMAN  
OFFER OF CREDITS TO POLAND AND THE QUESTION OF POLISH  
WILLINGNESS TO PERMIT THE EMIGRATION OF LARGER NUMBERS  
OF ETHNIC GERMANS. HOWEVER, THE ATMOSPHERE OF THE  
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VISIT WAS GOOD AND EACH SIDE WAS EVIDENTLY CONVINCED

OF THE OTHER'S DETERMINATION TO REACH A SUCCESSFUL  
COMPROMISE. END SUMMARY

1. EMBOFFS DISCUSSED THE SCHEEL VISIT WITH POLISH DESK  
OFFICER, ARNOT, AND DEPUTY DIRECTOR OF THE OFFICE OF  
EAST-WEST ECONOMIC RELATIONS, HOELSCHER, BOTH OF THE  
FRG FOREIGN OFFICE. ARNOT SAID THE ATMOSPHERE HAD BEEN  
BETTER THAN AT ANY FRG-POLISH MEETING IN A LONG TIME.  
IN ADDITION TO GIVING THE GERMAN DELEGATION A SPLENDID  
RECEPTION IN THE PROTOCOLARY SENSE, THE POLES HAD  
ADOPTED A MODERATE TONE EVEN ON THE MOST SENSITIVE AND  
CONTROVERSIAL ISSUES--SOMETHING THEY HAD NOTABLY NOT  
DONE IN OTHER DISCUSSIONS OF THE RECENT PAST. THERE  
WAS NOW, ARNOT FELT, A CERTAIN MOMENTUM IN FRG-POLISH  
RELATIONS TO WHICH BOTH SIDES HAD CONTRIBUTED AND WHICH  
MADE IT LIKELY THAT THEIR NEGOTIATIONS WOULD MOVE FOR-  
WARD, DESPITE THE SUBSTANTIAL DIFFERENCES THAT CONTINUE  
TO EXIST.

2. ARNOT SAID THAT, CONTRARY TO REPORTS IN THE PRESS  
(WHICH ALWAYS SEEMED TO KNOW MORE ABOUT THESE THINGS  
THAN THE FOREIGN OFFICE ITSELF), NO FIRM DATE HAD BEEN  
SET FOR POLISH FOREIGN MINISTER OLSZOWSKI'S RETURN  
VISIT TO BONN. IT MIGHT TAKE PLACE IN NOVEMBER AND THE  
FRG HOPED THAT IN ANY EVENT IT WOULD NOT HAVE TO WAIT  
UNTIL AFTER THE TURN OF THE YEAR.

3. HOELSCHER PROVIDED, ON A CONFIDENTIAL BASIS, DETAILS  
OF THE CREDIT OFFER FOREIGN MINISTER SCHEEL MADE TO THE  
POLES, WHICH WITH ONE EXCEPTION TALLY WITH THOSE REPORT-  
ED IN REF B. THE GERMAN OFFER CONSISTED OF A DM L  
BILLION GOVERNMENT-TO-GOVERNMENT CREDIT AT AN INTEREST  
RATE OF AROUND 5 PERCENT (NEGOTIABLE), I.E. ABOUT HALF  
THE CURRENT MARKET COST IN THE FRG. THE CREDIT WOULD  
BE DISBURSED IN 10 SEMI-ANNUAL INSTALLMENTS AND WOULD  
BE REPAYABLE IN 10 YEARS, THE FIRST FIVE OF WHICH WOULD  
BE A GRACE PERIOD. THE CREDIT WOULD BE UNTIED. IN

ADDITION, THE FRG OFFER CONTAINED TWO PROVISIONS  
INCLUDED AT THE INSISTENCE OF FINANCE MINISTER SCHMIDT  
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AND DESIGNED TO AVOID ANY IMMEDIATE INFLATIONARY IMPACT  
OF THE LOAN WITHIN THE FRG: (A) THE FIRST TRANCHE COULD  
NOT REPEAT NOT BE USED FOR PURCHASES WITHIN THE FRG,  
(THUS, ACCORDING TO BOTH OUR INFORMANTS, THIS STIPU-  
LATION WOULD ONLY APPLY TO DM 100 MILLION OF THIS TOTAL,  
RATHER THAN THE WHOLE AMOUNT AS INDICATED IN REF B)  
AND (B) THE LOAN WOULD BE DISBURSED IN DOLLARS.

4. ACCORDING TO HOELSCHER, THE POLES SHOWED INTEREST IN SCHEEL'S OFFER BUT RESPONDED THAT THEY WERE THINKING IN TERMS OF A DM 3 BILLION LOAN. SCHEEL SAID THAT WAS IMPOSSIBLE. THE POLES ALSO TABLED A REQUEST FOR AN ADDITIONAL DM 7 BILLION IN CREDITS. SCHEEL REPLIED THAT CREDITS IN THAT AMOUNT WOULD HAVE TO COME FROM THE PRIVATE CAPITAL MARKET AT NORMAL COMMERCIAL RATES. THEIR FEASIBILITY WOULD DEPEND ON THE AVAILABILITY OF SUITABLE PROJECTS AND THE WILLINGNESS OF PRIVATE GERMAN BANKS TO FINANCE THEM. MOREOVER, THERE WAS A POTENTIAL PROBLEM WITH REGARD TO FRG INVESTMENT GUARANTEES WHICH

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FM AMEMBASSY BONN

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(ARNOT TOLD US) ARE SUBJECT TO LIMITS ON A COUNTRY BY COUNTRY BASIS; HE THOUGHT THE LIMIT FOR POLAND RAN AROUND DM 2 BILLION, AND IT WOULD REQUIRE SOME KIND OF FORMAL ACTION, PERHAPS BY THE BUDESTAG, TO ENLARGE IT.

5. ARNOT TOLD EMBOFF THAT THE POLES HAD PROPOSED A PECULIAR SCHEME FOR FINANCING THIS DM 7 BILLION OF CREDIT. THEY WOULD PAY ONLY HALF OF THE INTEREST AS IT CAME DUE, THE OTHER HALF PRESUMABLY TO BE PAID ON A REGULAR BASIS BY THE FRG. AT THE END, AS EACH CREDIT WAS FULLY REPAID, THE FRG AND POLAND WOULD THEN NEGOTIATE OVER WHAT WAS TO BE DONE WITH THE SUM OF MONEY  
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THE FRG HAD CONTRIBUTED AND WHICH POLAND WOULD OSTENSIBLY OWE TO THE FRG. THE GERMANS' REACTION TO THIS PROPOSAL WAS, ACCORDING TO ARNOT, "SHEER ASTONISHMENT."

6. HOELSCHER ALSO REPORTED THAT THE POLES HAD ASKED THAT FRG ECONOMICS MINISTER FRIDERICH VISIT POLAND TO DISCUSS INDUSTRIAL COOPERATION. HE SAID THE FRG WAS NOW CONSIDERING THE ADVISABILITY OF SUCH A VISIT AND IT WOULD PROBABLY TAKE PLACE IN THE NEAR FUTURE.

7. AT A PRESS CONFERENCE OCTOBER 24, FRG SPOKESMAN VON WECHMAR STATED THAT THE CABINET HAD DISCUSSED THE ISSUE OF CREDITS TO POLAND ONLY IN GENERAL TERMS AND HAD NOT GOTTEN INTO THE DETAILS OF SPECIFIC CONDITIONS. HE ALSO STATED THAT THE FRG HAD NO INTENTION OF INCREASING ITS OFFER OF DM 1 BILLION. HE SAID SCHEEL HAD PLACED THE OFFER ON THE TABLE IN WARSAW AND THE FRG EXPECTED TO DISCUSS IT FURTHER DURING OLSZOWSKI'S FORTHCOMING VISIT.

8. ARNOT SAID THE POLES HAD PROPOSED (IMPLICITLY CONTINGENT UPON FRG REVISION OF ITS CREDIT OFFER TO SOMETHING MORE IN LINE WITH POLISH THINKING) TO PERMIT THE DEPARTURE OF ANYWHERE FROM 50,000 TO UPWARDS OF 100,000 ETHNIC GERMANS FROM POLAND OVER THE NEXT 3 TO 5 YEARS. SCHEEL TOLD THEM THIS WAS NOT ENOUGH. THE FRG WAS CONTINUING TO USE AS ITS GUIDE LINE THE FIGURE OF 283,000 REGISTRATIONS WITH THE GERMAN RED CROSS. WHILE THERE MIGHT, OF COURSE, BE SOME IN THE NUMBER WHO WOULD NOT FIT THE CRITERIA ESTABLISHED IN THE POLISH "INFORMATION," THE FIGURES MENTIONED BY THE POLES WERE OBVIOUSLY FAR TOO LOW. IN ANY EVENT THE CASES OF ALL THOSE WHO HAD REGISTERED WOULD HAVE TO BE EXAMINED IN GOOD FAITH.

9. THE POLES TOLD THE GERMANS FOR THE FIRST TIME IN EXPLICIT TERMS THAT THEY REGARDED THE CREDITS NOT ONLY AS A CONTRIBUTION TO POLAND'S ECONOMIC DEVELOPMENT (WHICH WOULD MAKE POSSIBLE COMPENSATORY PAYMENTS BY THE POLISH GOVERNMENT TO PRIVATE POLISH CITIZENS WHO COULD ESTABLISH A CLAIM TO HAVE SUFFERED AT THE HANDS  
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OF THE THIRD REICH) BUT ALSO AS A KIND OF COMPENSATION FOR THE LOSSES THAT THE POLISH ECONOMY AND POLISH SOCIETY WOULD SUFFER THROUGH THE EMIGRATION OF LARGE NUMBERS OF ETHNIC GERMANS. THERE IS NO AGREEMENT ABOUT THE PUBLIC ATTITUDE THE POLISH GOVERNMENT MAY TAKE REGARDING THE CREDITS FOR DOMESTIC POLITICAL PURPOSES. THE GERMANS WOULD NATURALLY PREFER THAT THEY NOT BE REPRESENTED AS AN ALTERNATIVE FORM OF WARTIME COMPENSATION PAYMENTS, BUT IF THE POLES DID THIS AT HOME IN A RESTRAINED WAY, ARNOT SAID, THERE WOULD PROBABLY BE NO REACTION FROM BONN. IF THEY TRUMPETED IT TOO LOUDLY, ON THE OTHER HAND, THE FRG WOULD HAVE TO ISSUE STATEMENTS OF ITS OWN.

10. EVIDENCE OF THE NEW MOOD IN FRG-POLISH RELATIONS COULD BE SEEN IN THE IMPROVED RELATIONS BETWEEN THE FOREIGN OFFICE AND THE POLISH EMBASSY IN COLOGNE, ARNOT SAID. THE POLISH EMBASSY, AFTER MANY MONTHS OF ATTEMPTING TO DO BUSINESS THROUGH THE SPD (HERBERT WEHNER) AND THE CHANCELLERY (MINISTER WITHOUT PORTFOLIO BAHR), HAD SUDDENLY DISCOVERED THAT THERE WAS A FOREIGN OFFICE IN BONN. THE POLISH AMBASSADOR, WHO HAD PREVIOUSLY LIMITED HIS CALLS AT THE F.O. TO DISCUSSION OF PROTOCOL-LARY AND TECHNICAL MATTERS, HAD BEGUN TO CALL REGULARLY ON MINISTER SCHEEL AND TOP-LEVEL OFFICIALS FOR DISCUSSIONS OF SUBSTANCE. RELATIONS AT THE WORKING LEVEL STILL HAD SOME WAY TO GO, HOWEVER, BEFORE THEY WOULD REACH THE LEVEL CUSTOMARY BETWEEN AN EMBASSY AND A FOREIGN MINISTRY.

11. COMMENT: GIVEN THE REPORTED STRONG RESISTANCE OF

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BOTH THE FINANCE AND ECONOMIC MINISTRIES TO SUBSIDIZED CREDITS TO POLAND AND THE MANNER IN WHICH THIS CREDIT PROPOSAL HAS BEEN CAREFULLY DESIGNED TO HAVE A MINIMUM SHORT-TERM INFLATIONARY IMPACT WITHIN THE FRG, IT APPEARS UNLIKELY THAT THE FRG WOULD RAISE THE AMOUNT OF THE CREDIT TO ANYTHING LIKE THE DM 3 BILLION THE POLES ARE ASKING. IT IS ALSO NOTEWORTHY THAT THE FRG OFFERED A DIRECT GOVERNMENT-TO-GOVERNMENT CREDIT INSTEAD OF OFFERING TO SUBSIDIZE PRIVATE GERMAN CREDITS AS HAD BEEN REPORTED EARLIER (REFTEL A). THE USE OF A DIRECT GOVERNMENT CREDIT IS IN ALL LIKELIHOOD DESIGNED TO EMPHASIZE THE ONE-TIME NATURE OF THIS LOAN AND TO  
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REDUCE THE POSSIBILITIES OF THIS CREDIT SERVING AS A PRECEDENT FOR OTHER REQUESTS EITHER FROM POLAND OR OTHER EASTERN EUROPEAN COUNTRIES.

12. DESPITE THE DETAILED CHARACTER OF THE FRG CREDIT OFFER AND THE APPARENT WILLINGNESS OF THE POLES TO DO SOMETHING MORE IN THE FIELD OF EMIGRATION, THE IMPROVEMENT IN FRG-POLISH RELATIONS IS STILL MORE A MATTER OF MOOD AND WILL THAN IT IS OF ACCOMPLISHED FACT. ARNOT MADE THE POINT THAT BOTH SIDES WERE TRYING DELIBERATELY TO BUILD UP SO MUCH MOMENTUM IN THEIR RELATIONS THAT A FALLING BACK TO THE SQUABBLING AND INERTIA OF THE PAST TWO YEARS WOULD BE ALMOST UNTHINKABLE; THEY WOULD FORCE THEMSELVES, BY THEIR OWN ENTHUSIASM AS IT WERE, TO FIND SOLUTIONS. BUT IF THE FRG, AS WE SUSPECT, IS UNABLE TO ENLARGE SUBSTANTIALLY ON SCHEEL'S CREDIT OFFER AND IF THE POLES, IN RESPONSE, HOLD FAST TO OR EVEN CUT BACK ON THEIR EMIGRATION PROPOSAL, THEN THERE IS STILL A SERIOUS POSSIBILITY OF A SETBACK. IN ANY EVENT, OLSZOWSKI'S VISIT SHOULD TELL WHETHER OR NOT IT WILL BE POSSIBLE FOR GIEREK TO COME TO THE FRG NEXT SPRING. THE FRG FONOFF ATTITUDE ON THIS (WHICH THEY BELIEVE THE POLES SHARE) IS THAT, WHILE SOME ISSUES MIGHT BE LEFT FOR SOLUTION AT THE TOP LEVEL, A VERY CLEAR OUTLINE OF THE BONN-WARSAW COMPROMISE WILL HAVE TO BE VISIBLE BEFORE SUCH A VISIT WOULD MAKE POLITICAL SENSE.

HILLENBRAND

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC COOPERATION, CREDIT, MINISTERIAL VISITS, CREDIT AGREEMENTS, EMIGRANTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 26 OCT 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** garlanwa  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973BONN15575  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS HILLENBRAND  
**Errors:** N/A  
**Film Number:** n/a  
**From:** BONN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t19731010/aaaaahfg.tel  
**Line Count:** 356  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 7  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** (A) BONN 14705 (NOTAL), (B) WARSAW 5, 546 (NOTAL)  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** garlanwa  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 02 AUG 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <02-Aug-2001 by boyleja>; APPROVED <21-Sep-2001 by garlanwa>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FRG-POLISH RELATIONS: THE SCHEEL VISIT  
**TAGS:** PFOR, EFIN, GE, PL, (SCHEEL)  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005